Valued in the Workplace:
Removing Employment Barriers Facing Older Workers

Comments for the White House Conference on Aging "Listening Session"
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The Center for Aging and Community (CAC) at the University of Indianapolis is one of Indiana's leading gerontology centers with an interdisciplinary approach to developing partnerships between higher education and the community. CAC serves as an academic champion for advancing the new reality of older adults as community and family assets and seeks to improve the quality of life for older adults in Indiana and beyond. CAC's work is guided by its two focus areas of *Aging in Place* and *Meaningful Work for Older Adults*. As a leader for positive change, CAC conducts applied research and then utilizes findings to educate through technical assistance, trainings, seminars and conferences.

While there is still significant work to be done to ensure that older adults are given the opportunity to live where they choose with necessary supports and services available to them, CAC today seeks to create a sense of urgency around the need to remove impediments to employment for older workers and to have employers and co-workers recognize the value of retaining older workers in the work place.

With people standing in line to take their place, older employees historically have been flotsam riding the current of economic conditions, finding themselves lured to the boat when the economy is up and the need for an expansive labor force is evident, but being thrown back when business slows and it's time to pare the numbers. Now, however, the clock is ticking and every seven seconds another baby boomer turns 50. As these workers continue their march toward traditional retirement age, those lining up to take their place are far fewer in number. The US economy may begin to rapidly lose productive human capital as skilled and experienced workers leave the labor force during the next two decades. Only six years remain before the oldest baby boomers turn 65 and begin to choose part-time work or retirement. Although the youngest members of the baby boom (born 1946-1964) are just entering their 40's and still in the midst of building their careers, the generation that follows the baby boomers does not provide enough new workers to address the shortages created by the retirement of the older members of this group. Nursing and education, for example, are two industries facing critical shortages of workers. These demographic realities create an urgent need for reform if we are to avert the potential economic disaster. Growth of the labor force is critical to society's ability to expand its production of goods & services, and to keep the economy in a positive growth mode. Labor force annual growth rate is projected to be only 0.88% for 2000-2010. If the current trend continues, there will be no growth in the labor force between 2010 and 2030. Even a small percent of older workers remaining on the job could create a positive impact on the work force and on the economy.

Economic and institutional barriers to remaining on the job were instituted as a way to make room for the flood of baby boomers entering the labor force. Creating an environment that made early retirement attractive was an easy way to remove older workers and open slots for younger employees. It will take a dramatic shift in thinking to change the current use of benefits to move the older worker out of the labor force and instead use them to encourage their continued participation. Retaining workers age 55 and beyond would provide a potential annual growth rate four times that of the overall labor force.

Retaining older workers is not only good for the economy, but also for the employer and employee. Possessing skills and institutional knowledge that is not easily replaced by a younger worker, the seasoned veteran who remains in the workplace actually helps improve the standard of living for his younger co-workers. In addition, 63 percent of older workers in an AARP Survey indicated they want to work, but many also cite the need for income and health benefits that being employed would provide.

Recognizing that many older workers want to stay in the workforce and that their continued participation is critical, the question turns to the issue of what must be done to facilitate their staying on the job.

It is critically important that the Tax Code, ERISA (Employee Retirement Income Security Act) and ADEA (Age Discrimination in Employment) and Medicare law be scrutinized for ways in which barriers and disincentives to remaining in the workforce can be removed. One of the biggest barriers to continued employment is the defined benefit pension plan in which the accrual value of the pension turns negative with continued years on the job. While this is characteristic of plans offered by private companies, many public plans offered to teachers, fire personnel and government workers also result in encouraging earliest possible retirement. The defined benefits plans were designed to get rid of long-term, high cost workers without having to fire them. This has resulted in a bias against work beyond late middle age and against hiring older workers. Consideration should be given to changing the ERISA regulations that prohibit pension plans from distributing full payments to employees who have reached retirement age but want to keep on working. As it stands now, these regulations force retirement from their current company to be eligible to collect their pension. Still wanting to work, these older workers oftentimes go to work for the competition. The original employer loses a valuable employee, while the worker is deprived of the work place relationships that are an important element in their life.

Some companies are beginning to explore ways to avert the complete exodus of valued employees by implementing phased retirement plans in which the employees may reduce the number of hours worked, receive a re-assignment of responsibilities or have the flexibility of extended vacations. Phased retirement forces managers to create a transition plan and to think about knowledge management. Older workers can mentor their own replacement, while still providing valuable contributions to the organization. Phased retirement plans, however, may be subject to challenges through ADEA which requires that workers receive the same privileges regardless of age.

There is also the need to consider removal of the federal requirement that Medicare become the secondary payer if a company offers health insurance for workers over age 65. This requirement may serve as a significant disincentive for employers to retain or hire older workers because of the perceived potential for higher insurance costs.

Positive change began with the conversion of the defined benefits plans to defined contribution plans which helped to discourage early retirement. Defined contribution plans, however, are still flawed. Some companies are beginning to experiment with hybrids that combine the defined benefits with contributions into a plan that would offer the security of a regular stipend. But most corporate plans were designed for an economy of 40 years ago and are not responsive to today's needs.

Recognizing mutual need – for older workers to be given opportunity to continue participation in the work force and for employers to have access to an adequate supply of workers – CAC urges the White House Conference on Aging to address the concerns of the older worker, not only to provide better opportunities for them and their families, but to sustain this nation's economic superiority.